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STATE FOR EUR/CE (HODGES, SCHROEDER)  
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TAGS: [ECON](#) [EIND](#) [GM](#) [PGOV](#)  
SUBJECT: GERMAN ECONOMICS MINISTER: SMALL IS GOOD

Classified By: ECONOMIC MINISTER COUNSELOR ROBERT POLLARD. REASONS: 1.4  
(B) AND (D)

¶1. (U) SUMMARY. Germany's new Minister for Economics and Technology, Rainer Bruederle (Free Democratic Party - FDP), is a strong proponent of the market economy with a policy agenda focused on strengthening small and medium-sized enterprises (SMEs) and competition. His principled stand against federal assistance to GM/Opel has attracted strong criticism from states where the carmaker has a presence. Despite exploding federal and state deficits, Bruederle is the chief advocate within the new German government of tax cuts. His first major policy initiative is a new anti-trust law to give Germany's federal cartel office the power to break up companies whose market dominance hinders competition. Bruederle plans his first visit to Washington on February 1 and 2. END SUMMARY.

¶2. (SBU) Rainer Bruederle (64) has been Deputy Caucus Chief and Economic Spokesman of the pro-business FDP in the Bundestag since 1998. He served as the Rhineland Palatinate (R-P) Economic Minister from 1987 to 1998, where he strongly promoted wine-growers, trade, and small and midsize business. Since 1983 he has been state chairman of the FDP in R-P and a member of the National Executive Committee, and since 1995 Deputy National Chairman. Bruederle is still among the most popular and respected politicians in R-P, despite his departure to Berlin years ago, and is present at every R-P FDP state convention. Bruederle is a trained economist and has taught economics at various universities.

¶3. (SBU) Bruederle likes being called "Mister Mittelstand" (Mr. SMEs), and high-ranking officials at the Economics Ministry confirm that his main focus will be on strengthening SMEs and creating a level playing field for them to compete with big multinationals. Bruederle has moved sections of the Economics Ministry that deal with issues important to SMEs closer to his own office (bureaucracy reform, deregulation policy, and regional projects) and announced steps to help SMEs suffering from the looming credit crunch. The German Mittelstand is vital: SMEs make up 99.7% of German companies and employ 70.5% of all German workers, according to the economic think tank IfM (The Institute for Mittelstand Research) in Bonn.

¶4. (SBU) Bruederle has vocally opposed state aid for Opel/GM, both as (opposition) FDP economic spokesperson under the old government and as the current Economics Minister. He has used the debate over state aid for Opel to emphasize his general opposition to government help for big companies. He is a strong advocate of free markets and fair competition. His first major policy initiative, a stricter anti-trust law, is a reflection of those beliefs. Bruederle plans legislation allowing the federal cartel office to break up companies whose market dominance hinders competition, even if they do not abuse their market position. This law, while not aimed

at specific sectors, is most likely targeting Germany's powerful energy companies. The new civil service State Secretary in the Econ Ministry, Bernhard Heitzer, is the former head of the federal cartel office. Bruederle characterized Heitzer's appointment as a deliberate decision to increase the importance of "free markets and fair competition philosophy." Peter Hintze (CDU) remained one of three Parliamentary State Secretaries and was joined by two new nominees, Hans-Joachim Otto and Ernst Burgbacher (both FDP). Bernd Pfaffenbach and Jochen Homann were retained in their positions as Permanent State Secretaries.

15. (SBU) Tax cuts and tax reform are other policy areas high on Bruederle's agenda. Bruederle defends the proposed German government tax cuts as indispensable to get the country out of its worst economic crisis in 60 years. The planned tax relief includes cuts of approximately 8.5 billion euros in 2010, relaxing the tax burden on families with children, and cutting sales taxes for hotels. The tax cuts have been strongly criticized since Germany already faces enormous debt. Bruederle believes that there is no conflict between cutting taxes and consolidating the budget, and that tax relief is needed to boost growth and employment. Bruederle also promised additional tax cuts of 20 billion euros beginning in 2011.

16. (SBU) On an initial courtesy call to Bruederle, Ambassador Murphy found him to be pleasant, engaging and fluent in English. He was very positive about the United States and has long maintained a residence in Florida. He expressed pride at having achieved a significant tax cut -- part of his party's agenda -- but noted it would be difficult

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to get taxes cut any further. He expressed concern about the current economic situation in Greece, and noted that Germany and France were the main contributors to growth in Europe and hoped to keep the euro strong. Bruederle also mentioned his upcoming visit to Washington February 1 and 2 and asked for the Embassy's help in securing appointments with counterparts at Commerce, Energy, USTR, Treasury and the White House's National Economic Council.

17. (C) COMMENT. Bruederle is less charismatic than his predecessor zu Guttenberg, an energetic 38-year old aristocrat, but not as "pale" as former CSU economics minister Michael Glos (2005-2009). He may be a "dinosaur," as some critics say, but he is a very strong-willed dinosaur with more vision than Glos, and more experience than zu Guttenberg. On the other hand, CDU contacts tell us that they perceive him as a "weak link" in the cabinet line-up, since he lacks zu Guttenberg's political gravitas. FDP contacts tell us that Bruederle can be a "wild card" who from time to time needs to be reined in. Bruederle's frequent, off-the-cuff comments are a case in point. Last November, he dismissed criticisms over the government's proposed debt-financed tax cuts from Germany's Council of Economic Advisors (the highly respected "Five Wise Men") with the quip that "professors cannot replace the reasoning of political leaders. That is why they are advisors and not decision-makers." Bruederle has finally reached the pinnacle of power after 11 years in opposition, but the jury is still out on whether he can successfully manage an economic turnaround in 2010. END COMMENT.  
MURPHY